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January 25, 2016

Public Service Commission criticizes utility tax laws, requires transparency in customer billing

NorthWestern Energy's tax bill increases \$22 million from 2014

HELENA, Mont. – January 25, 2016 – Voicing concerns of the effect that a state law regarding utility taxes has on consumers, the Montana Public Service Commission voted 4-1 Monday to require NorthWestern Energy to create a proposal for increasing the transparency of taxes in customers' monthly bills.

Throughout discussion during a work session on the issue, the Commission criticized a Montana law that allows taxes for Northwestern Energy to automatically pass through to their customers with very little PSC input, and also criticized the Montana Department of Revenue's method of calculating NorthWestern Energy's tax bill.

“Year after year the Department of Revenue uses an extremely subjective method to calculate NorthWestern’s property taxes. State law then sticks ratepayers with the bill,” said PSC Chairman Brad Johnson, R-East Helena. “DoR’s arbitrary calculation of NorthWestern’s tax bill leads me to believe that they view the utility as a cash cow whose purpose is to fatten the state treasury. It’s past time for the Legislature to give ratepayers real transparency regarding the state’s property tax policies that impact public utilities.”

NorthWestern Energy’s 2015 tax bill increased by over \$22 million from last year, due in large part to the 2014 purchase of 11 hydroelectric dams from PPL. Montana law allows NorthWestern energy to automatically recover their tax bill from their customers without any approval from the PSC, less a deduction for its income-tax impacts.

In the 2015 legislative session, HB 190 would have ended the automatic pass through of NorthWestern’s taxes to their customers. The Commission unanimously supported the bill, but it failed to pass.

“The automatic pass through of taxes to NorthWestern’s customers is nothing more than a hidden sales tax on energy. Consumers deserve to know what they are really paying for,” said PSC Vice Chairman Travis Kavulla, R-Great Falls.

In an effort to better inform customers of the portion of their bill attributed to taxes, the PSC’s order requires NorthWestern Energy to create a proposal to calculate the specific dollar amount that each customer pays in taxes on their bill every month, as well as create a proposal to remove recovery of taxes out of fixed rates and include all taxes in a single volumetric rate.

The PSC’s decision followed a roundtable discussion held in December with Northwestern Energy and Department of Revenue officials. At the roundtable, the Commission probed DoR on their valuation methods, as well as NorthWestern Energy on their efforts to reduce their tax bill and their methods of disclosure to customers.

To view the Commission’s order, visit: <http://1.usa.gov/1Qoj98h>

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